



The **Advisor** for our Retired members

A semi-annual publication of the Massachusetts Teachers' Retirement System as a service to its members

Winter 2007

WATCH YOUR MAILBOX FOR THIS FORM TO ARRIVE IN JANUARY

Be sure to complete and return your 2007 Benefit Verification Form

If you received a benefit payment from us in 2006, we will send you your tax form 1099-R and your 2007 Benefit Verification Form in January—together in the same envelope!

Our job is to pay the appropriate retirement or survivor allowance to the individual who earned the particular benefit. Accordingly, the retirement law requires that the MTRS verify the eligibility of all retirees and beneficiaries who are receiving monthly benefits. In other words, we must verify that “you,” the person who earned the benefit, is “you,” the person who is receiving the benefit.

While we know that this might seem like a tedious and burdensome task for some of you, it is a very necessary and serious process. Most importantly, it ensures the protection of the retirement system by verifying that we are paying benefits to the people who earned them.

During the Benefit Verification process in 2006, we mailed forms to 44,213 recipients. While we had to send out second and third notices—and even temporarily stop benefit payments to some members—as of press time, we have heard from all but 6 retirees, whose benefits have been suspended since August 2006.

We were also able to identify a handful of members who were entitled to increased benefits. These members had retired under Option C, but had not notified us that their beneficiary had predeceased them. (If you retired under Option C and your beneficiary

predeceases you, please notify the MTRS because you are entitled to have your payment “pop up” to the higher amount that you would have received under Option A.) As a result of the benefit verification process, we were able to identify these members and adjust their monthly benefit.

Your 2007 Benefit Verification Form will be mailed to you in January, with a due date of February 28, 2007. Approximately four to six weeks after your completed form is processed, you will receive an acknowledgment postcard.

If you have questions or concerns, we are here to help. Call our office if you need assistance or require a duplicate form. Additional information on the benefit verification process can be found on our web site at mass.gov/mtrs by following the links from our home page to the notice regarding the Benefit Verification mailing. ■

Please note that our Benefit Verification Form is a legal document that will require your notarized signature. Pursuant to M.G.L. c. 262, § 41, notaries may charge no more than \$1.25 for noting and recording a document. Common sources of notary services are city and town clerk's offices, local banks and travel agencies.

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Dr. David P. Driscoll
Commissioner of Education
and Chairman,
Massachusetts Teachers'
Retirement Board

FROM THE CHAIRMAN

Board advocates for “purchasing power protection” for retirees, fair contribution rates

The Board’s legislative agenda for the current year continues to include advocating for an increase in the cost-of-living adjustment (COLA) base while securing the purchasing power protection of our retired members (*see next page*), and establishing an employee pension contribution rate that is reflective of the retirement benefits earned by our members.

Our legislation to reduce employee contribution rates was referred to a legislative study. However, a recent report on the Massachusetts Public Employees’ Pension Classification System by a Blue Ribbon Panel confirmed our view, stating, “As a result of the substantial contribution rates, most Massachusetts public employees end up paying for the bulk of their pension benefits....” We are certainly buoyed by the report’s findings, and will continue to advocate for an appropriate and proportionate employee/employer pension contribution rate.

Additionally, the Board is exploring options that would allow retired educators an opportunity to return to the classroom. Over the last three years, we have retired nearly 12,000 educators who had an average of 30 years’ teaching experience apiece. As our “Boomers” enter retirement, the

Board is interested in providing opportunities that would allow school districts and our retired educators the flexibility of returning to the classroom to help mentor, job share, train and, in some cases, fill positions where a critical shortage or critical need has been designated. We view this as a unique opportunity for us not only to help a life-long educator transition to full retirement, but also to create opportunities for school districts to leverage seasoned educators’ experience and skills in order to provide assistance to new teachers via innovative programs.

Best wishes,

LEGISLATIVE UPDATE—

H263, a bill that would allow retirees to earn up to \$15,000 more per calendar year, passed both the House and the Senate; however, on December 22, 2006, Governor Romney vetoed the bill. We expect the bill to be refiled in the next legislative session. (Currently, retirees who return to Massachusetts public service can earn no more than the difference between their pension and what is being paid for the position from which they retired.)

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Stay up to date on retirement issues—

Have retirement updates delivered right to your desktop when you register to receive MTRS M@il!

Just give us your e-mail address and you’ll get advance notice of upcoming seminars, important announcements and retirement news delivered right to your desktop. It’s easy!

- 1) Go to mass.gov/mtrs.
- 2) Click on **MTRS M@il** in the left margin.
- 3) Complete the simple online form with your MTRS member status (retired), your name and your e-mail address.
- 4) Watch your e-mail for periodic updates!

New e-mail address? No problem—just send your old and new addresses to us at geninfo@trb.state.ma.us and we’ll change our records so that you don’t miss any updates!

COLA base increase received initial approval in 2005–06 legislative session

The Legislature's Joint Committee on Public Service gave initial approval to raising the COLA Base from \$12,000 to \$16,000 in May 2006. The legislation, H4940, was still under review as the legislative session came to an end.

The MTRS will continue to advocate for a long-term strategy to protect our retirees' benefits from the effects of inflation.

The vote taken by the Public Service Committee was very important because it was the first time in eight years that a legislative committee voted to recommend increasing the COLA base. In addition to the committee vote, the legislation received a significant boost when the study completed by the Public Employee Retirement Administration

Commission (PERAC) noted, "It would be appropriate to increase the current COLA base because the base has not

kept up with pension inflation, the current base disadvantages the longer service employees, and it is not competitive with other state and teacher systems." The PERAC study also stated, "COLAs are an important piece of sound pension plan design especially for members who retire with long service."

Although the initial cost of increasing the COLA base is significant, the Committee has established a blueprint to account for the additional liabilities by extending the Commonwealth's pension funding schedule by three years. This method of financing is analogous to refinancing your mortgage in order to update and secure your home's foundation.

We look forward to working with the Legislature and the administration on this initiative in the upcoming legislative session. ■

HAVE A QUESTION? SEND IT TO US AT GENINFO@TRB.STATE.MA.US

Retiree Q&A

Q I'm approaching 65. What should I know about Medicare?

As a retiree of the MTRS, you **may** or **may not** be eligible for health care coverage through Medicare, but you should be sure to investigate your eligibility at least three months before your 65th birthday.

Generally, you will be eligible for health care coverage through Medicare (Part A) when you reach the age of 65 **and** you meet one of the following conditions:

- you will be eligible to receive a Social Security benefit, or
- you are married to someone who will be eligible to receive a Social Security benefit, or
- you are a public employee, hired on or after April 1, 1986 and you paid the 1.45% Medicare tax for the required period (usually 10 years).

If you do not meet the eligibility criteria for Medicare, your health care coverage will remain with your local employer.

Medicare as your primary health care coverage

Once you become eligible to receive health care coverage through Medicare, you may be required to enroll in Medicare. (Whether you are required to switch depends

Please note: This article was compiled using information from the Social Security Administration and the Commonwealth's Group Insurance Commission. The MTRS is not responsible for its accuracy.

The MTRS does not administer your health insurance or Medicare benefits. While we may deduct your health insurance premiums from your monthly check and forward them to either the GIC or your city or town treasurer, that service and bookkeeping function is our only involvement. For more complete information about Medicare, please go to www.ssa.gov, www.medicare.gov or call 1-800-MEDICARE.

on whether you are covered under the Commonwealth's Retired Municipal Teachers (RMT) program or under locally provided insurance, and on whether your municipality has accepted the provisions of M.G.L. c. 32B, § 18. Please check with your local benefits coordinator or the Group Insurance Commission to see if you are required to switch to Medicare upon becoming eligible.)

If you enroll in Medicare, you may want to obtain "Medigap" insurance to supplement Medicare's coverage.

See **Medicare**, p. 8 ►



Our Massachusetts Teachers' Retirement System

A snapshot of who we are, retirement t

A profile of our membership as of January 1, 2006

Some statistics of note—

ACTIVE MEMBERS

- Average **salary** . . . \$54,279
- Average **age** . . . 44.6 years
- Average **service** . . 13.9 years
- Total member compensation . . \$4.8 billion
- Employee contributions . . \$462 million

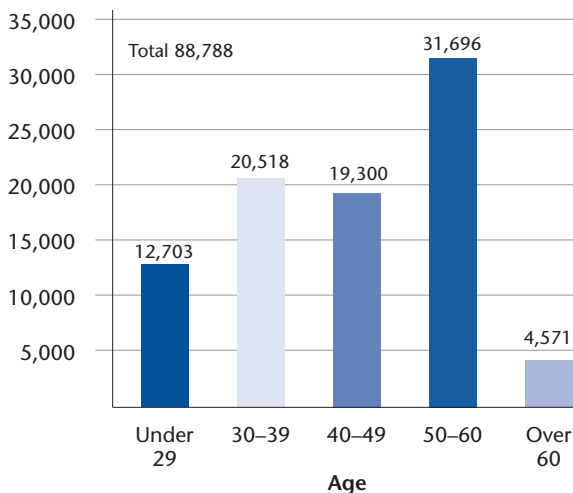
RETIRED MEMBERS

- Average **annual benefit**. . . \$30,842
- Average **age** . . . 69.8 years
- Total benefits paid . . \$1.37 billion

PLAN FUNDING

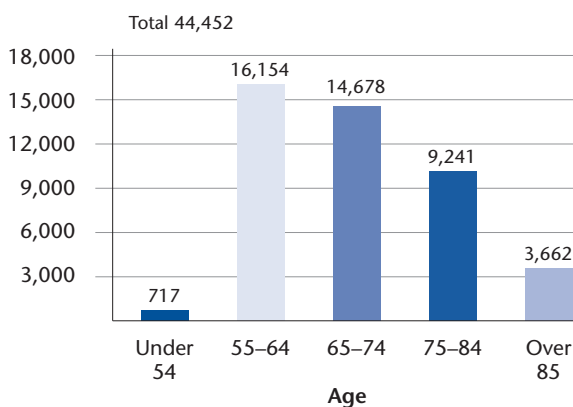
- Percent **funded** 67.2%
- **Unfunded liability** \$9.1 billion
- Year **fully funded** 2023

Source: 2006 Actuarial Valuation, Massachusetts Teachers' Retirement System



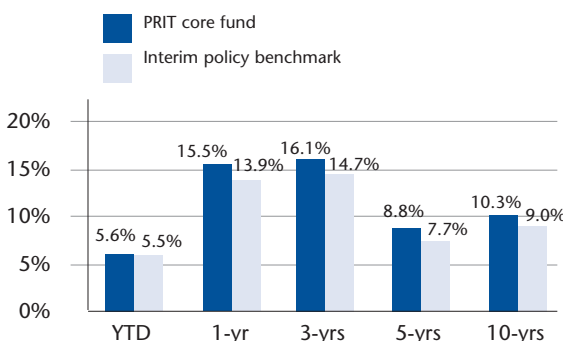
Our active members, by age

The baby boomers are here—and retiring in record numbers.



Our retired members, by age

This population has never been greater, with the number of older retirees continuing to grow.



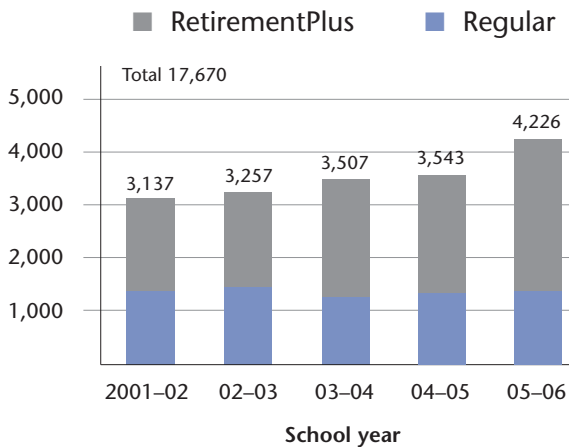
Core performance comparison

The Legislature has set 8.25 percent as the pension fund's long-term rate of return target. The system has averaged 10.3 percent over the past 10 years, and **11.06 percent** since its inception in January 1985.

Teachers' Retirement System

Trends and our current funding status

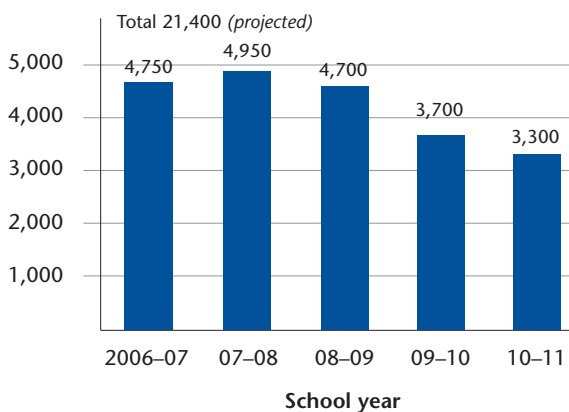
Recent and projected retirement statistics, and our funding status



RetirementPlus and regular retirements—

The last five years...

In the last five years, nearly 18,000 members retired under the regular and RetirementPlus plans.

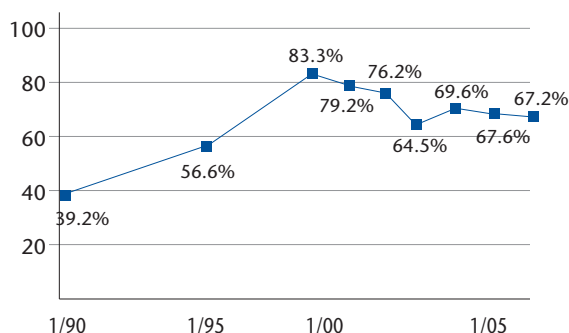


...and the next five years

In the next five years, we project that approximately 21,400 members will retire—an increase of 19 percent over the last five years.

The asset allocation of the \$41.9 billion Pension Reserves Investment Trust (PRIT) Fund (State and Teachers' Retirement Systems assets) as of June 30, 2006:

- Domestic equities . 27.5%
- International equities 19.8%
- Emerging markets . . 5.9%
- Fixed income 10.3%
- High yield debt 5.3%
- Real estate. 11.0%
- Timber 3.5%
- Alternative investments. 6.5%



The MTRS's funded ratio

Over the last 16 years, the system's funding ratio has increased significantly.

To learn more about how the System's assets are invested, visit www.mapension.com.



2006 in review

A year of great change for the MTRS

The MTRS Advisor is written and produced by the Massachusetts Teachers' Retirement System. We welcome letters from our readers and encourage you to send your comments to: *Advisor*
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Or e-mail your comments to us at geninfo@trb.state.ma.us.

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This has been a year of change for the Massachusetts Teachers' Retirement System. We relocated our Boston office to Cambridge and were able to accomplish it with little or no interruption in serving our members. The staff began the move on the evening of Thursday, May 11, as the rain continued to pour relentlessly. By working throughout the weekend, we were able to be operational that following Monday. So far, the response we have received from members who have visited our new office space has been overwhelmingly positive. And we are happy to report that the new space will allow us to continue our modernization efforts. In conjunction with the move to Cambridge, we also launched our new logo signifying the change in our identity from the Massachusetts Teachers' Retirement Board to the Massachusetts Teachers' Retirement System. This new symbol reflects that we are a large group of active and retired members, employer representatives and our staff.

As predicted, 2006 brought an unprecedented number of retirements, the largest in the MTRS's 92-year history. During the 2005-06 reporting period, we retired 4,226 educators, and 94 percent of the members who filed on time with a June 30th retirement date received their first check by September. The pension fund now pays out a total of \$1.133 billion in benefits to approximately 47,000 retirees on an annual basis.

We have also continued our educational initiatives to reach out to members by scheduling seminars throughout the Commonwealth. In the past year we provided guidance to more than 4,000

members who attended our seminars. Our website also saw a great deal of activity. Members are utilizing the information provided along with the accessibility of downloading forms, registering for seminars and asking questions via e-mail. Members receive a timely response to questions posed on our website.

The Board continues to focus its attention and commitment to providing outstanding service to the membership. They remain committed to providing accurate, timely and prompt delivery of all our services to our valued educators and retirees. ■

The Board remains committed to providing accurate, timely and prompt services to our valued educators and retirees.



In May, our main office moved to the second floor of One Charles Park in East Cambridge, right next to the CambridgeSide Galleria. We are very pleased with our new space, which provides a comfortable first-floor amphitheater for educational programs, 24/7 security and housing for all of our member files.

For directions to our Cambridge and Springfield offices, please visit our website at mass.gov/mtrs and click on Contact us.

Defined Benefit plans: A history of serving the public good

Defined benefit plans—such as your MTRS retirement plan—have recently become a popular topic of discussion for news media, think tanks and elected officials. When looking at the issue of **defined benefit** plans versus **defined contribution** plans (*see box at right*), it is important to keep in mind the facts about defined benefit plans in the public sector.

1) The bulk of public pension benefit funding is NOT shouldered by taxpayers.

Employer (taxpayer) contributions to state and local pension systems over the last two decades have made up only one-fourth of total public pensions revenue. Earnings from investments and employee contributions comprise the remainder. This ratio has improved over time. In 2004, investment earnings accounted for 77 percent of all public pension revenue; employer contributions were 15 percent. Unlike corporate workers, most public employees are required to contribute to their pension plans.

2) Public retirement plans attract and retain the workforce that provides essential public services.

There are more than 20 million working and retired state and local government employees in the United States. Retired public employees live in virtually every city and town in the nation (90 percent stay in the same jurisdiction where they worked). Active public employees comprise more than 10 percent of the nation's workforce, and two-thirds are employed in education, public safety, corrections, or judiciary. Retention of experienced and trained personnel in these and other positions is critical to the continuous and reliable delivery of public services.

3) State and local pension plans are an integral component of national, state and local economies.

Public Plans distribute more than \$130 billion annually (an amount greater than the total economic output of 22 states) in benefits to over 6 million retirees, disabilitants and beneficiaries with an average annual pension benefit of roughly \$19,500. These steady and continuous payments provide a strong economic stimulus to local economies throughout the nation. A 2004 study for the Wharton School Pension Research Council found state and local government pension distributions contribute 2.0 percent more to GDP over (\$200 billion) than if they had been invested in self-directed 401(k)-type retirement accounts.

4) State and local plans are subject to comprehensive oversight.

Know your MTRS benefits

Your MTRS benefits are very important to your financial future—the MTRS is your retirement plan. **During your retirement, your MTRS pension may be your greatest financial asset.** The plan provides the following types of benefits to eligible members:

- ✓ **Regular “service” retirement benefits**
- ✓ **Disability retirement benefits** (ordinary and accidental)
- ✓ **Survivor and accidental death benefits** (if you die while you are an active member)

Under the MTRS “**defined benefit**” plan, your retirement benefit is determined according to a set formula, and **the amount is guaranteed** regardless of fluctuations in the pension fund's performance. Likewise, **your benefit amount is guaranteed for your lifetime**, and cannot be adjusted downward.

In contrast, a “**defined contribution**” plan is dependent on the contributions made by the employee, and possibly by the employer, and the growth of those assets over time as they are invested in the financial markets. A defined contribution plan is very susceptible to fluctuations in the market; nothing is guaranteed.

While private sector plans are subject solely to federal regulation, state and local government plans are products of state constitutional, statutory and case law and must comply with a vast landscape of state and local requirements, as well as industry accounting standards. These plans are accountable to the legislative and executive branches of the state; independent boards of trustees that include employee representatives and/or ex-officio publicly elected officials; and ultimately, the taxpaying public.

5) Public pension plans are in good financial condition.

As a group, state and local pension systems have nearly 90 cents for each dollar they owe in liabilities. These assets are professionally managed and invested on a long-term basis using sound investment policies.

6) State and local pension funds earn competitive investment returns.

For the 3- and 10-year periods ended June 30, 2005, public pension funds generated strong investment returns of 9.67 percent and 9.15 percent, closely tracking returns generated by corporate pension plans.



What's new!

Be sure to return your completed Benefit Verification Form 1

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February 28, 2007*

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*Defined Benefit plans have
long been serving the public good*

*Plus the year in review, Q&A about
Medicare coverage—and more!*



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Retiree Q&A: Medicare Continued from page 3

If, prior to enrolling in Medicare, you were covered under:

- the local municipality's program, you should make arrangements with your local insurance coordinator to continue coverage through your group insurance program. The local insurance program will then serve as a supplement to Medicare. You should contact your local benefits coordinator for Medigap options.
- the RMT program, you will be required to enroll in Medicare, if eligible; you should then apply for Medigap coverage through the Group Insurance Commission. For your Medigap options, contact the GIC (www.mass.gov/gic).

When you're 64...you should contact your local Social Security office approximately three months before your 65th birthday. At that point, you will be able to determine your eligibility for Medicare coverage. If you will be able to participate in Medicare, you should contact your insurance administrator—not the MTRS—to adjust your existing coverage.



Coming this spring— a NEW program for retired educators!

This pilot program is designed to educate and inform MTRS retirees about economic and lifestyle issues that will help you maximize your retirement experience, and offer strategies and opportunities for a rewarding retirement.

For the announcement of dates and locations, watch our website, or, better yet,
**sign up for MTRS M@il (see page 2)
and we'll send an invitation
right to your desktop!**